

VZCZCXYZ0001
PP RUEHWEB

DE RUEHBO #0156/01 0162138
ZNR UUUUU ZZH
P 162138Z JAN 09
FM AMEMBASSY BOGOTA
TO RUEHC/SECSTATE WASHDC PRIORITY 6511
INFO RUEHCV/AMEMBASSY CARACAS 1549
RUEHZP/AMEMBASSY PANAMA 2901
RUEHQT/AMEMBASSY QUITO 7620
RUEHPE/AMEMBASSY LIMA 6918
RUEHBR/AMEMBASSY BRASILIA 8587

UNCLAS BOGOTA 000156

SIPDIS

E.O. 12958: N/A

TAGS: [ECPS](#) [EINV](#) [SCUL](#) [ECON](#) [KPAO](#) [CO](#)

SUBJECT: PRIVATE TV CHANNELS RENEW LICENSES; THIRD CHANNEL
ADJUDICATION STILL UNDERWAY

¶1. SUMMARY: Private television channels Cadena Radial Colombiana (Caracol) and Radio Cadena Nacional de Colombia (RCN) and the National Television Commission (CNTV), after much debate, have reached an agreement to renew their license for another ten years. The agreement, signed one day before the January 10 deadline, outlines a payment of between USD 55 million and USD 118 million, depending on the national economic growth. The CNTV also announced that the adjudication process for the third private channel will begin in February. CNTV set the base bidding price for the third channel at USD 33 million. A third national channel will improve balance in news coverage and provide viewers with additional options. END SUMMARY

Background

¶2. Prior to 1998, nationally broadcast television in Colombia consisted of three channels (Canal Uno, Canal Dos and Canal Tres). Airtime on Canal Uno and Canal Dos was assigned through a concession system with various production companies assigned different timeslots to broadcast their products (soap operas, news programs, etc) and/or syndicated programs purchased abroad. Canal Tres (now called Seal Colombia) was-and still is-operated entirely by the government with content focused on educational and cultural programming. In 1997, the CNTV, which directs, develops and regulates all policies for public broadcast television in Colombia, privatized Canal Uno and Canal Dos by granting ten-year broadcasting licenses, at a cost of U.S. \$95 million to Cadena Radial Colombiana (Caracol) and Radio Cadena Nacional de Colombia (RCN). The private channels began broadcasting as Canal Caracol and Canal RCN in July 1998. In the ensuing ten years, Canal Caracol has made additional investments in networking and equipment estimated at U.S. \$130 million. RCN has invested an additional U.S. \$200 million. Caracol and RCN's broadcasting licenses officially expired on January 10, 2009.

Contract Renewal Process Criticized

¶3. Based on analysis by two independent firms, CNTV began the renewal of the two existing contracts by initially setting a price of U.S. \$82 million with additional (variable) yearly payments equal to 7.52% of the channels' gross income. Once the contract terms were released, however, both RCN and Caracol protested claiming that this figure was unreasonable given the current global financial situation and based on their own projections of lower earnings and profitability. They also claimed that the pricing process lacked transparency and presidents of both channels went so far as to hint at wrong-doing on the part of the CNTV board. These claims and the ensuing media coverage resulted in President Uribe directing the Minister of Communications and CNTV to release the financial studies upon which they based the pricing as well as the base bidding price for the third channel.

¶4. On January 9, shortly after the publication, CNTV, Caracol, and

RCN announced that an agreement had been reached for a ten-year contract renewal. The financial terms of the deal are flexible, with installment payments, determined by the economic conditions, ranging from U.S. \$50 million to U.S. \$110 million.

Third Channel on the Horizon

15. In early 2007, the CNTV announced the opening of a public bidding process for a third private national television channel. Three organizations, Promotora Audiovisual de Colombia (a Colombo-Spanish consortium), Canal Tres Televisión (also a Colombo-Spanish consortium), and Inversiones Rendiles S.A. (a Colombo-Venezuelan consortium) submitted qualified bids. On December 2, 2008, the CNTV announced the financial terms for the new third channel. Following the controversy surrounding the license renewals for the two existing channels, CNTV published the base bidding price for the third channel at U.S. \$33 million and indicated that the new channel would also be subject to the 7.52% charge on annual gross income. The CNTV also announced that the adjudication process for the third private channel will begin in February. As a concession to the existing private channels, CNTV postponed licensing a fourth private channel for the foreseeable future.

COMMENT

17. The opening of the market to include a third channel is seen as a positive step to improve the balance in media coverage of the news. Further, the general consensus is that, in terms of advertising dollars, the market can support another channel. And finally, wide ranging surveys of the viewing public indicate that

there is a demand for more varied programming on national TV. While the controversy surrounding the contract renewals for Caracol and RCN made for a rough start, CNTV's concession to a flexible payment mechanism helps resolve the transparency concerns while helping the existing channels remain economically viable in the event of declining advertising revenues from a slowing economy.

BROWNFIELD